

Assembly Bill No. 2574

CHAPTER 952

An act to add Section 1281.92 to the Code of Civil Procedure, relating to arbitration.

[Approved by Governor September 26, 2002. Filed with Secretary of State September 27, 2002.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2574, Harman. Arbitration: conflicts of interest.

Existing law provides that in any arbitration pursuant to an arbitration agreement, if a person is to serve as a neutral arbitrator, the proposed neutral arbitrator is required to disclose all matters that would cause a person aware of the facts to reasonably entertain a doubt that the proposed neutral arbitrator would be able to be impartial, as specified.

This bill would prohibit a private arbitration company from administering a consumer arbitration, or providing any other services related to a consumer arbitration, if the company has, or within the preceding year has had, a specified financial interest, in any party or attorney for a party. The bill would impose similar limitations on the provision of services by private arbitration companies based on the financial interests of any party or attorney for a party in the private arbitration company. The bill would state that its provisions become operative on January 1, 2003.

The people of the State of California do enact as follows:

SECTION 1. Section 1281.92 is added to the Code of Civil Procedure, to read:

1281.92. (a) No private arbitration company may administer a consumer arbitration, or provide any other services related to a consumer arbitration, if the company has, or within the preceding year has had, a financial interest, as defined in Section 170.5, in any party or attorney for a party.

(b) No private arbitration company may administer a consumer arbitration, or provide any other services related to a consumer arbitration, if any party or attorney for a party has, or within the preceding year has had, any type of financial interest in the private arbitration company.

(c) This section shall operate only prospectively so as not to prohibit the administration of consumer arbitrations on the basis of financial interests held prior to January 1, 2003.

(d) This section applies to all consumer arbitration agreements subject to this article, and to all consumer arbitration proceedings conducted in California.

(e) This section shall become operative on January 1, 2003.

